2000 Report on Cost-of-Living Adjustments (COLAs)

Joint Committee on Pension Policy

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I. Introduction:

This 2000 Report on Cost-of-Living Adjustments (COLAs) emphasizes the economic and demographic characteristics of Public Employees' (PERS) and Teachers' Retirement System (TRS) Plan 1 retirees and beneficiaries. It also provides information on gain sharing as it relates to both post-retirement increases for PERS/TRS 1 retirees and the Plan 3 counterpart -- gain-sharing payments to members' defined contribution accounts.

The goal of this report is to provide legislators and the public with a profile of current benefit recipients and to analyze the factors that determine who receives an increase and the size of that increase.

The source of the data used in this report is information collected and maintained by the Department of Retirement Systems. Unless indicated otherwise, all data is as of September 30, 2000.

II. Overview:

Cost-of-Living Adjustments:

The retirement plans administered by the state of Washington reflect a variety of approaches to providing cost-of-living adjustments (COLAs) to retirees. Differences exist in eligibility requirements and the level of income protection provided.

All current COLAs share common characteristics:

- ***Permanent:*** COLAs are ongoing features of the plans.
- ***Cumulative:*** Additional COLAs are added each year.
- ***Increasing:*** The amount of COLA added increases each year. WSP is the only system without an increasing COLA.

All plans developed since 1977 include the same 3% COLA design. COLAs for plans developed prior to 1977 differ substantially. The original designs range from LEOFF 1 with it's full CPI COLA to PERS and TRS plans 1 without any ongoing COLA. No two plans had identical COLA provisions.

Table #1

Plan	Members Receiving	Description	Eligibility
PERS/ TRS 1	**40,054 19,563**	***Uniform/Minimum Benefit:*** A flat dollar amount per month per year of service which is increased each year by 3%.	• Age 66 or older and retired one year. • Age 65 or younger; and benefit less than the minimum benefit \$28.33 per month per year of service, (as of 7/1/00.)
	26	***Age-65:*** Annual increase of up to 3%, based on an increase in the CPI.	When benefit received at age 65 has lost over 40% of its purchasing power.
LEOFF 1	**7,755**	Annual increase in CPI; compounding. No minimum benefit.	Retired one year.
WSP	**666**	***Retiree:*** Annual 2% simple increase; begins after member has been retired one year. Minimum benefit of \$20 per month per year of service. ***Survivor:*** Receives Uniform COLA without gain-sharing component or; if member selects at retirement, a 2% simple increase.	Immediate at any age.
LEOFF/ PERS/ TRS/ SERS 2	**134 7,680 589 –**	Annual compounding increase of up to 3%; begins after member has been retired one year. No minimum benefit.	Retired one year.
TRS/ SERS 3	**142 –**	Defined benefit is increased same as Plan 2.	One year after begin receiving defined benefit payments.

When the Plan 1 Uniform COLA superceded the Age-65 COLA in 1995, members eligible for a higher benefit under the Age-65 calculation remained on that COLA. There were only a handful of members receiving increases under the Age-65 calculation in 2000.

Gain-sharing:

In 1998 when gain-sharing was enacted for PERS/TRS 1 and Plan 3, a new mechanism for increasing benefits was created. Unlike the COLAs summarized in the table above, gain-sharing is:

- Contingent on the performance of retirement fund investments;
- Not a contractual right.

Gain-sharing is implemented differently in PERS/TRS 1 and Plans 3. In Plan 1, extraordinary gains boost increases in the Uniform COLA. Plan 3 extraordinary gains are distributed as a lump sum payment to eligible active and retired members' defined contribution accounts.

A. Characteristics of Benefit Recipients:

Former active members comprise the majority of people receiving public retirement benefits in all Plans. A small percent of recipients are the survivors or beneficiaries of the member. "Annuitants" refers to all benefit recipients, whether former members or their survivors.

Table #2

Summary of Annuitants

	PERS/TRS 1	LEOFF 1	WSP	Plans 2/3
Total Number	84,306	7,755	666	8,545
Average				
Current Age	72	63	63	69
Age at Retirement	60	51	53	65
Years of Service	22	22	28	12
Monthly Benefit	$1,144	$2,514	$2,506	$538
Monthly Benefit per YOS	$48	$134	$91	$45

B. Summary of COLA Costs:

The additional payments from all COLAs and gain-sharing in 2000 was more than $24 million over COLA payments made in 1999. Table 3 shows where additional benefits were generated based on data compiled for the 1999 valuation and 7/1/00 Uniform COLA calculation.

Table #3

Cost of 2000 COLA Increases

System/Plan	COLA Recipients	Annual Cost
Plan 1		
PERS	40,333	$ 9,811,176
TRS	19,675	6,245,700
LEOFF	7,623	6,862,524
Plan 2		
PERS	6,765	1,176,300
TRS	398	104,016
LEOFF	100	28,476
Plan 3		
TRS	50	5,304
WSP[1]	647	37,344
12/31/99 Total	75,591	$ 24,606,960

C. Eligibility for Social Security Increases:

Almost all public employees are required to contribute to the federal Old Age, Survivors and Disability Insurance program – better known as Social Security. This benefit provides retirement benefits which increase at the same rate as the national Consumer Price Index (CPI). Adjustments are made each January. Retirees do not have to be retired for a certain amount of time before becoming eligible for this increase. In recent years, increases in Social Security were as follows:

Historical Increases to Social Security Benefits

1975-84	1985-94	1995	1996	1997	1998	1999
7.7%	3.5%	2.6%	2.9%	2.1%	1.3%	2.4%

III. Plan 1 COLAs:

A. Benefit Descriptions:

Retirees of the Public Employees' Retirement System Plan 1 (PERS 1) and the Teachers' Retirement System Plan 1 (TRS 1) receive increases to their retirement benefits through the the Uniform COLA. Law Enforcement and Fire Fighters' Retirement System Plan 1 (LEOFF 1) members receive adjustments based on increases in the Seattle Consumer Price Index (CPI). The focus of this section is to provide information about PERS/TRS 1 COLA recipients and non-recipients. Information about LEOFF 1 benefit increases is included at the end of this section.

- ***Uniform COLA***

  To be eligible for this annual increase retirees must satisfy one of two criteria:

  1. be age-66 or older and retired for at least one year by July;
  2. receive a benefit that is below the minimum.

  The increase, known as the "annual increase," is based on a flat amount per month per year of service. The annual increase for July 1, 2000 was $1.08. An eligible retiree with 30 years of service would have received an increase of:

  30 x $1.08 = $32.40 per month starting on July 1

The annual increase is itself increased each year by 3%. The annual increase on July 1, 2001 will be:

$$\$1.08 \times 1.03 = \$1.11$$

The Uniform COLA may be further increased by a gain-sharing distribution in even-numbered years. Gain-sharing increases become a permanent part of the base Uniform COLA amount used to calculate future 3% increases. Graph #4 on page 10 illustrates this process.

- ***Minimum Benefit COLA***

Retirees younger than age 66 may receive the Uniform COLA if their benefit falls below the minimum benefit threshold. The minimum benefit acts as a trigger for eligibility to receive the Uniform COLA.

The minimum benefit threshold is increased each July 1 by the same annual increase amount determined for the Uniform COLA. On July 1, 2000 the minimum benefit threshold was $28.33. It will increase by $1.11 to $29.44 on July 2001.

Retirees who are above the minimum threshold may become eligible for the Uniform COLA in the future if the minimum increases beyond their benefit.

- ***Gain-sharing***

Plan 1 Gain Sharing is a biennial process that increases the amount of the Uniform COLA whenever there are "Extraordinary Gain". The availability and amount of each gain-sharing increase is dependent on amount of Extraordinary Gains. Extraordinary Gains occur when the average rate of return (ROR) on retirement fund investments of PERS 1 and TRS 1 for the previous two bienniums (4 years) averages over 10%.

Extraordinary Gains are calculated as ROR in excess of 10% applied to the July 1 assets in the year of Gain Sharing. One half of the Extraordinary Gain is used to increase the Uniform COLA. The other half is used to shorten the amortization period for the unfunded liability of PERS 1 and TRS 1.

All members, active and retired realize the benefits of gain-sharing, but not simultaneously. Retired members receive an immediate increase in the cost-of-living amount when gains are calculated.

Active members realize gain-sharing benefits after retirement. At this time they become eligible for a COLA amount which has been increased by past gains.

Extraordinary Gains are not something that will occur on a regular basis or in predictable amounts. This process will produce highly erratic results from biennium to biennium. It is likely there will be long periods of time when no Extraordinary Gains occur. When they do occur, they may be very small or very substantial.

This highly erratic process is used to provide additional increases to the Uniform COLA–a very regular and stable process.

Calculation of the 2000 Plan 1 Gain-sharing Uniform COLA Increase:

Rates of Return

FY 1996	FY 1997	FY 1998	FY 1999	4-year Average
17.4%	20.5%	16.6%	11.9%	16.56%

16.56% - 10% = 6.56%

Half of the combined PERS/TRS 1 assets are multiplied by 6.56%. This produces the Plan 1 Extraordinary Gain.

50% of PERS/TRS 1 assets =	$9,667 M
$9,668M x 6.56% (gain-sharing percent) =	$634 M (Extraordinary Gain)

The state actuary calculates how much of a permanent increase to the Uniform COLA can be funded with $634M. In future years, the Uniform COLA's annual 3% increase is applied to the total COLA amount, including any increases attributed to gain-sharing.

The gain sharing increase to the Uniform COLA was $0.28 effective January 1, 2000. When added to the Uniform COLA amount of $0.77, retirees' benefits were increased a total of $1.05 per month per year of service.

This COLA amount was in effect from January until July 1, 2000. In July the COLA was increased by 3% of $1.05 to $1.08. The Uniform COLA will remain at this amount until adjusted again in July 2001.

B. COLA Policy for PERS/TRS 1:

Eligibility for a COLA in PERS/TRS 1 is shaped by policies implicitly and explicitly adopted by the Legislature.

The age-66 trigger for eligibility is significant for several reasons:

- It is the age when members of the Plan 2/3 systems are first eligible to retire and, after one year when they are 66, begin receiving the 3% COLA. The benefit provided to Plan 1 members does not start earlier than that provided to Plan 2/3 members.
- It approximates the age requirement for full Social Security benefits.
- It is considered the age when workers were most likely to permanently leave the workforce. At this point they lose the ability to replace losses in purchasing power with employment income.

In almost all of Washington's public plans COLA increases are based on a percent of benefit. The amount of the retiree's monthly benefit is multiplied by a percentage, and increases compound from year to year. This approach provides more dollars to those retirees with larger benefits. The Uniform COLA is distributed based on the member's years of service. This approach distributes the largest increases to those members who have provided the longest service.

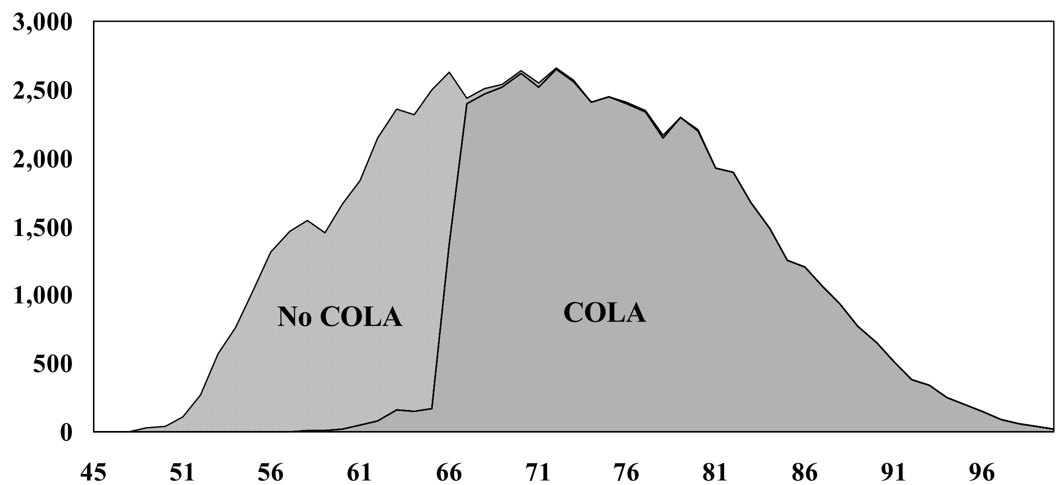
C. Demographics of Plan 1 Retirees:

Of the 84,306 annuitants receiving retirement benefits in PERS/TRS 1, fully 70% receive an annual cost-of-living increase. Increases for individual members were calculated on an average of 19 years of service in PERS 1 and 24 years in TRS 1. Based on the July 1, 2000 Uniform COLA amount of $1.08, the average Plan 1 member saw an increase between $20.52 and $25.92 per month.

Table #4

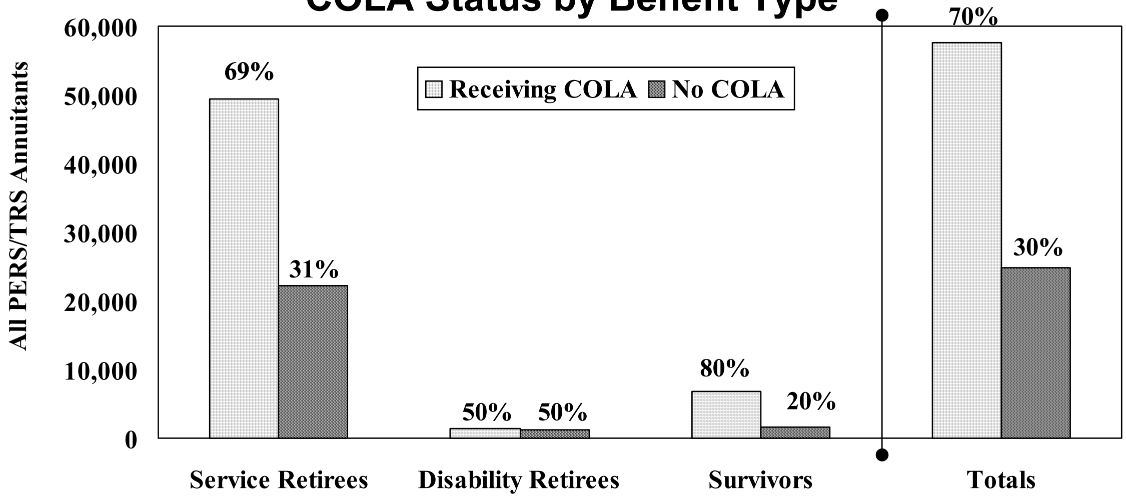
Summary of PERS/TRS 1 Annuitants	Receiving Uniform/Minimum		Not Receiving Uniform/Minimum	
	PERS 1	TRS 1	PERS 1	TRS 1
Total number	40,054	19,563	13,161	11,528
Average				
Current Age	77	77	60	60
Age at Retirement	63	61	56	56
Year of Retirement	1985	1984	1996	1996
Years of Service	19	24	25	28
Monthly Benefit	$793	$1,087	$1,742	$1,777
Monthly Benefit Per Year of Service	$40	$44	$66	$64

Graph #1
PERS/TRS Plan 1
COLA Status by Age



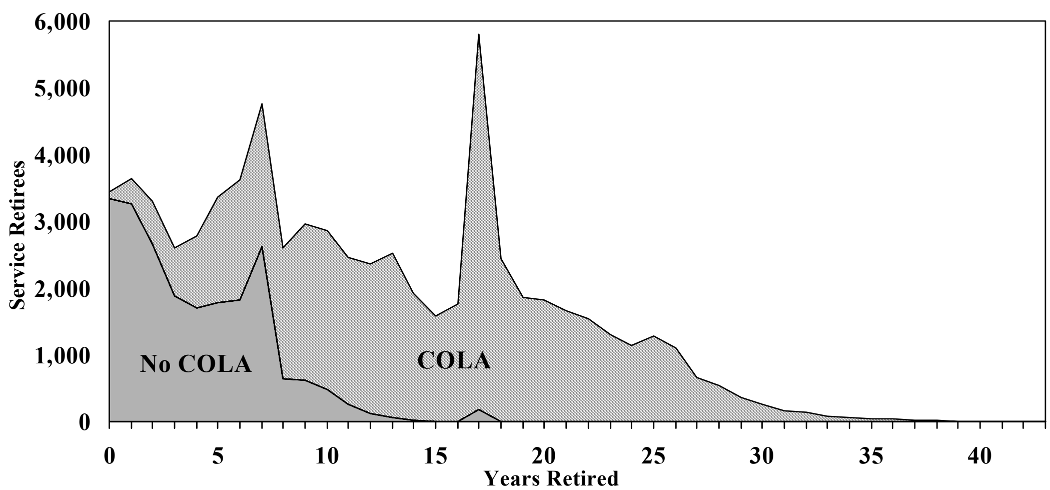
Whether an annuitant receives a COLA is largely a function of age. Almost all annuitants will eventually qualify for the Uniform COLA. Members born before July 1 and retired for at least one year, begin receiving the Uniform COLA the year they turn age-66. Members born after July 1, begin receiving the COLA the following July 1 when they are between the ages of 66.5 and 67..

Graph #2
PERS/TRS Plan 1
COLA Status by Benefit Type



Annuitants qualify for benefits under three scenarios. Most often, they are service retirees, members who have met the age and/or years of service requirements to begin receiving benefits. In other cases, they qualify as disability retirees or as the designated survivor of a retiree. Graph 2 shows the number of annuitants receiving or not receiving a Plan 1 COLA according to these three categories.

Graph #3
PERS/TRS Plan 1
COLA Status by Years Retired



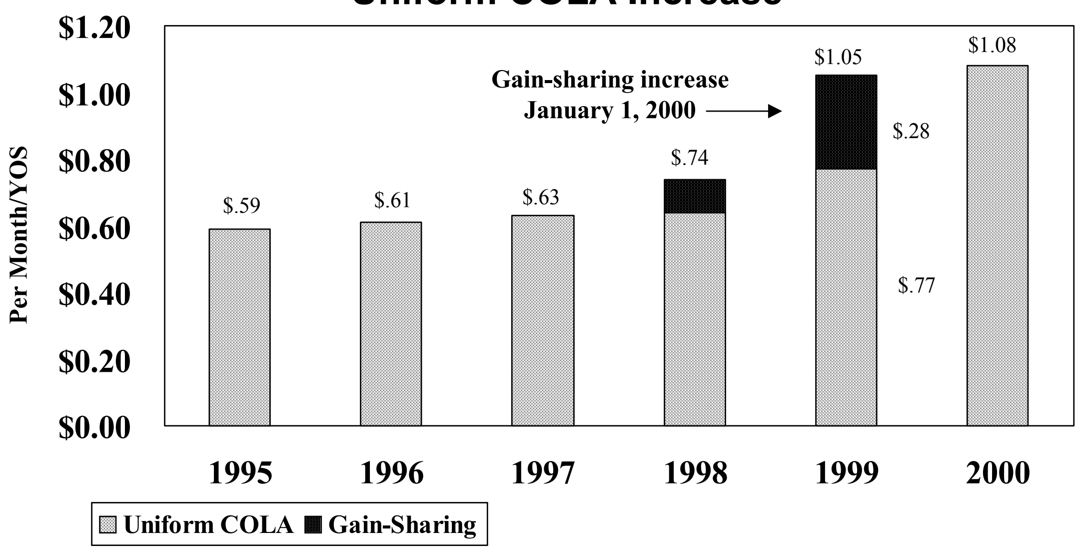
Graph 3 displays the numbers of service retirees receiving and not receiving a COLA according to how long the retiree has been retired.

Spikes in the graph are the results of early retirement windows offered in previous years. During those periods, unusually large numbers of members retired, some at relatively young ages. Some of these members have yet to reach COLA eligibility (age-66), even after several years of retirement.

D. The Value of the Uniform COLA:

The value of the Uniform COLA increases each year by 3%. In even-numbered years gain-sharing may boost the COLA further. Graph #4 shows the growth of the Uniform COLA since inception and the effect the two gain-sharing distributions have had on the current level of the COLA.

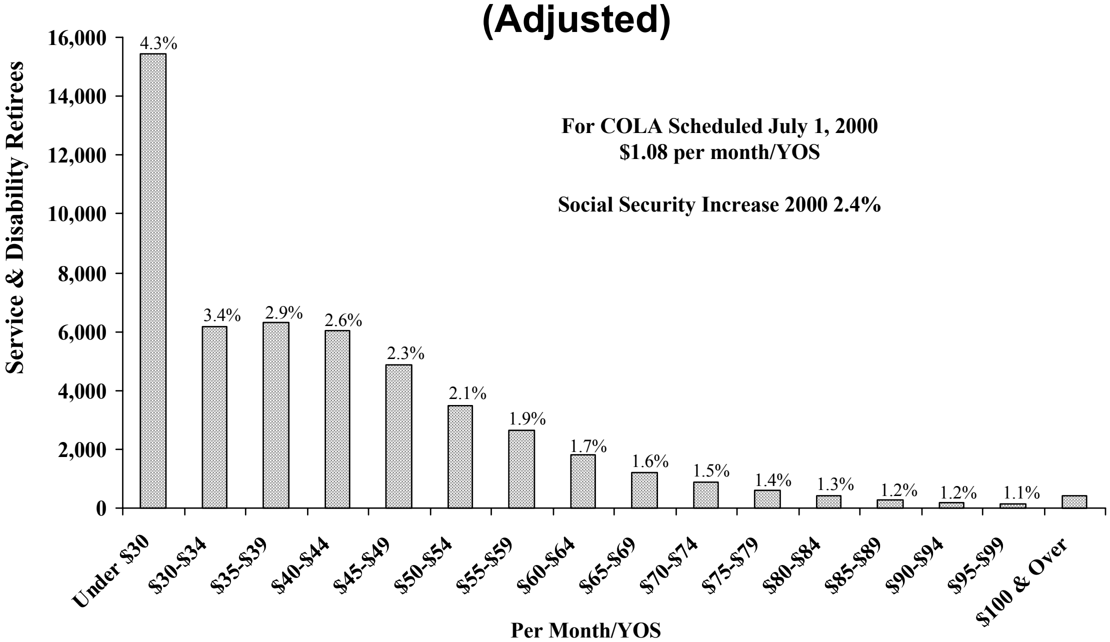
Graph #4
PERS/TRS Plan 1
Uniform COLA Increase



Graph #5

PERS/TRS Plan 1

Uniform COLA Percentage Increase (Adjusted)



Retirement benefits are based on the number of years of service and the average final salary the member earned before retirement. When looking at a members benefit that is small it is impossible to tell whether it is small because the member had very little service credit or low salary or both. It is more informative to look at a retirees benefit for each year of their service. For example:

- a retiree receives an $800 per month benefit and had 20 years of service at retirement. That means the retiree receives $40 per month for each of their 20 years of service ($40 per month/YOS).

Retirees with a low benefit per year of service must have had a low salary. This could be caused by one or more of the following:

1. benefit was calculated using a salary from many years ago;
2. member had a low paying job; or
3. member worked part-time but received full service credit. A part-time salary may produce a low benefit that is indistinguishable from a full-time person who makes a low salary.

The Uniform COLA increase distributed July 1, 2000 was $1.08 per month/YOS. For retirees who receive a benefit less than $30 per month/year of service, this amounted to a 4.3% increase in benefits. Retirees at the other end of the graph, who were receiving benefits of $95 to $99 per month/YOS saw an increase of only 1.1% in their benefits.

As a comparison, Social Security (SS) benefits increase each year by the full increase in the national Consumer Price Index (CPI). In 1999, SS benefits increased by 2.4% for all retirees. LEOFF 1 benefits are increased by changes in the CPI for Seattle. In 1999 benefits for LEOFF 1 retirees increased by 3.1%.

E. Characteristics of Plan 1 Retirees and Benefits:

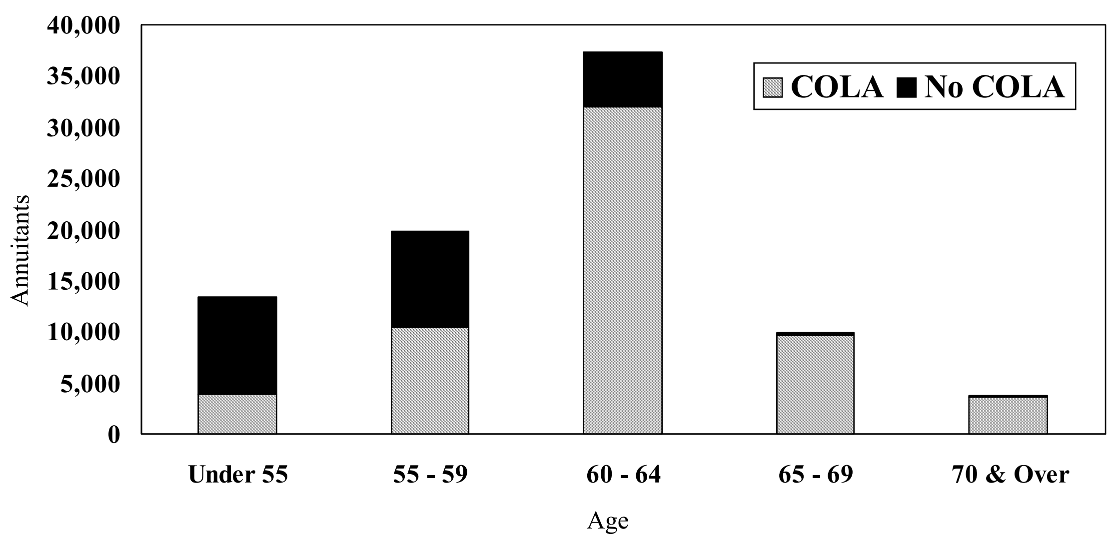
As with any group of 84,000 individuals, there are both differences and similarities among its members. In measuring the impact of the Uniform COLA on PERS/TRS 1 benefits, the following variables are most useful.

Age at Retirement:

Members who retired before age-65 are less likely to be currently receiving a COLA. This is attributed to the age-66 requirement for COLA eligibility. By far, the majority of members leave employment between the ages of 60 and 65.

Graph #6

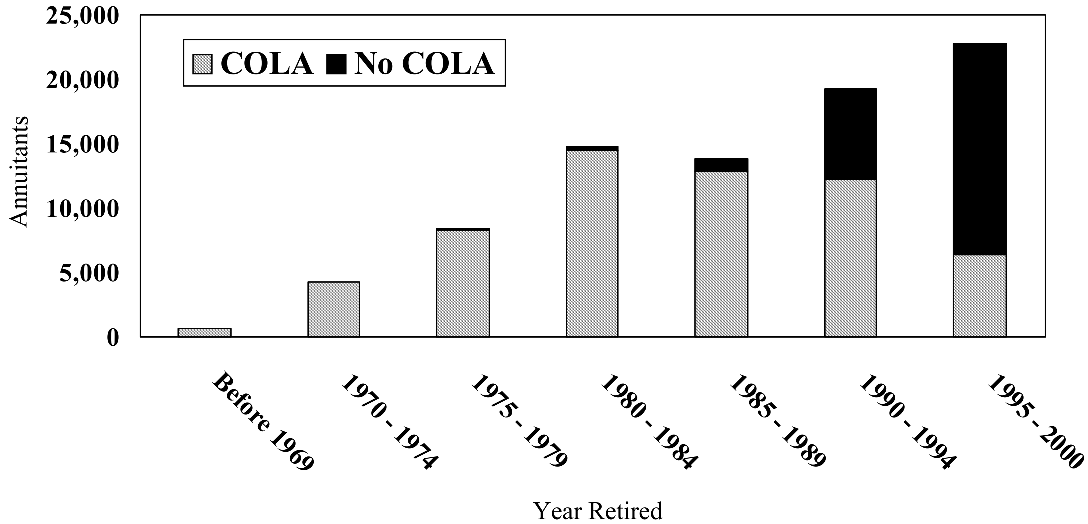
Member Age at Retirement



Year of Retirement:

The relatively early retirement provided in Plan 1 (any age with 30 YOS; 55 with 25 YOS; and age-60 with 5 YOS) means that many retirees will not qualify for a COLA in their first years of retirement. Members who have been retired the longest are most likely to be receiving a COLA. Annuitants with retirement dates prior to 1985 and still not receiving a COLA are primarily beneficiaries who have not yet attained age-66.

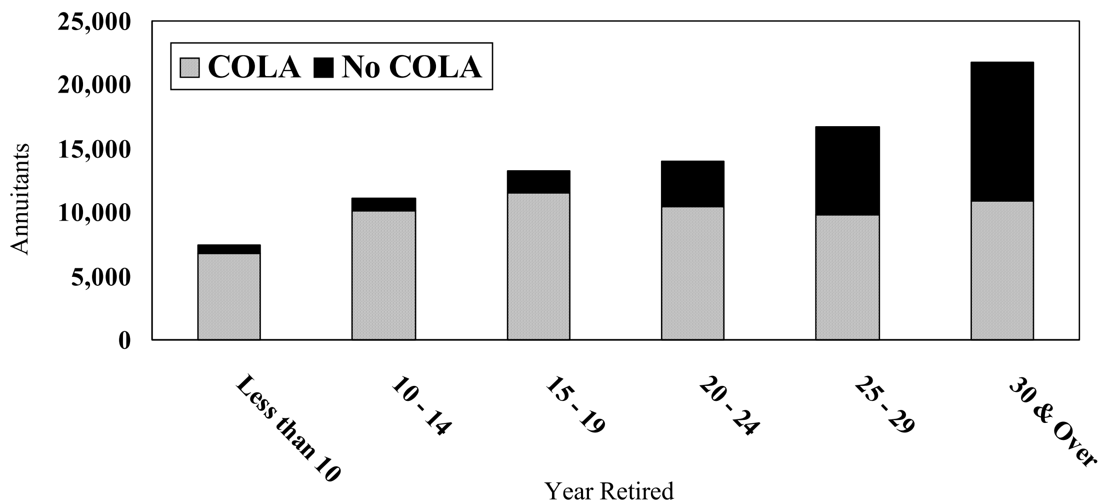
Graph #7
Year of Retirement



Years of Service:

PERS/TRS 1 retirement eligibility provisions allow members to retire as many as 10 years before they become eligible for a COLA. Shorter-service retirees show a higher percentage of COLA eligibility. Usually they joined the Plan at higher ages and qualified for retirement by attaining age-60 with at least 5 years of service. These members are within 6 years of COLA eligibility.

Graph #8
Years of Service

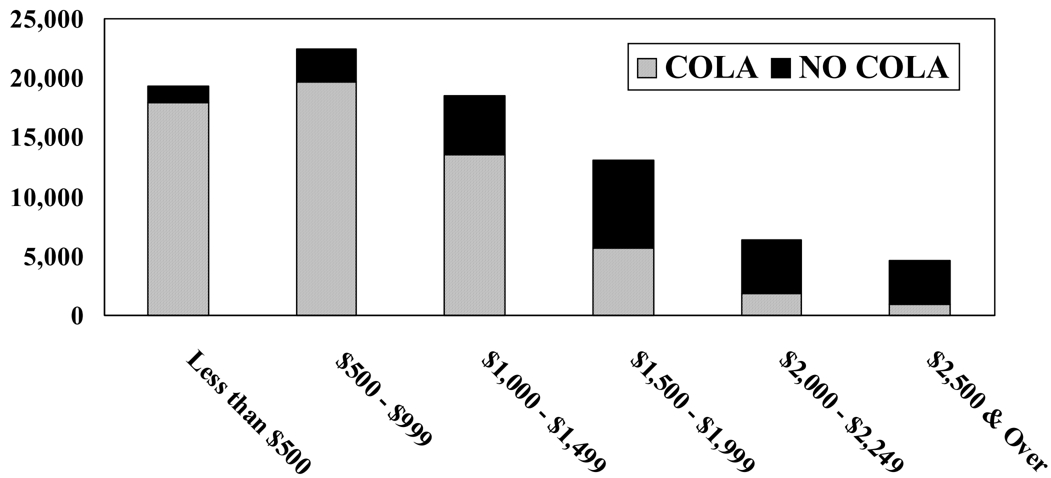


Monthly Benefit:

The distribution of monthly benefits shows a larger percentage of retirees with lower benefits receiving the COLA. This trend is influenced by two factors. Lower monthly benefits generally indicate low service or are based on salaries earned many years ago. Retirees with smaller monthly benefits are more likely to be older and thus eligible for COLA increases. Larger benefits are more likely to represent recent retirement and longer service. More recent retirees and those who retire under service eligibility tend to be younger. A smaller percent of these retirees are currently receiving COLAs.

Graph #9

Monthly Benefit



F. PERS/TRS 1 Minimum Benefit Recipients:

Minimum benefit recipients form a relatively small sub-group of retirees receiving an annual increase. Out of approximately 59,617 retirees receiving COLAs, only 1,103 (less than 2%) do so under minimum benefit eligibility.

Currently, a monthly salary of $1,348 will produce a benefit qualifying the retiree for the minimum benefit. Salary level alone is not the only factor contributing to eligibility. In most cases it is low pay, coupled with full-time service credit.

Full-time employment is defined as 70 hours a month for PERS 1 members. TRS 1 members earn 12 months of credit for 144 days of service during a school year (September-August). Under these provisions, members who are engaged in part-time employment often qualify for full-time service credit. Meanwhile the salaries used in calculating their benefits reflect less-than full-time earnings. The result is a low benefit per year of service and in some cases, eligibility for the minimum benefit.

Table #5

Summary of Minimum Benefit Recipients

	PERS 1	TRS 1
Total Number	919	184
Average		
Current Age	62	62
Age at Retirement	55	54
Year of Retirement	1993	1992
Years of Service	25	28
Monthly Benefit	$432	$283
Monthly Benefit Per Year of Service	$25	$24

G. LEOFF 1 COLA:

All LEOFF 1 retirees begin receiving a COLA after they have been retired for one year. In the first year they are eligible for the COLA, they also receive a retroactive increase for the first year of retirement. COLA amounts are equal to the full rise/fall in the Seattle CPI. Benefit adjustments are made April 1 of each year.

LEOFF 1 retirees and eligible spouses receive the same retirement benefits and post-retirement increases. Table 6 shows averages for all annuitants.

Table #6

Summary of LEOFF 1 Annuitants

Total Number	7,755
Average	
Current Age	63
Age at Retirement	51
Years of Service	22
Monthly Benefit	$2,514
Monthly Benefit Per Year of Service	$134

Table #7

Basis for LEOFF 1 COLAs
Urban Wage Earners and Clerical Workers, Seattle, WA, All Items, Series A

Year	Increase	Year	Increase	Year	Increase
1985	2.08%	**1990**	7.11%	**1995**	2.90%
1986	0.71%	**1991**	5.53%	**1996**	3.30%
1987	2.35%	**1992**	3.54%	**1997**	3.10%
1988	3.30%	**1993**	2.98%	**1998**	2.63%
1989	4.68%	**1994**	3.66%	**1999**	3.10%
5-Year Avg.	2.62%		4.56%		3.00%

VI. Plan 2/3 Defined Benefit COLA:

The Plan 2/3 COLA is similar to the LEOFF 1 COLA in that each retiree is entitled to the full CPI increase from retirement. The difference is that Plan 2/3 retirees can never get an increase that is greater than 3% of the previous years benefit.

The size of a plan 2/3 retiree's COLA for any year is determined by their year of retirement. Retirees of each different year could theoretically get a different COLA depending on the increase in the CPI since their retirement. Plan 2/3 retirees could get an increase when the CPI is negative if the total CPI increase from their retirement has been greater than 3% per year.

The CPI has recently almost always been greater than 3% and therefore, all plan 2/3 retirees have received 3% COLAs.

Plan 2/3 retirees received a COLA on the first July 1st after they have been retired one year. Plan 2/3 survivors receive the same COLA as retired members where the retiree chose a survivor option at retirement.

Plan 2/3 members need to be age 65 to get unreduced benefits. If they retire prior to age 65 they must take an actuarially reduced benefit. The calculation of the actuarially reduced benefit includes a reduction for beginning the COLA earlier than age 66. Members who retire prior to 65 pay for starting the COLA early through the actuarially reduced benefit.

Plan 2 members are considered retired when they begin receiving monthly benefits. In Plan 3 a member is not considered retired for COLA purposes until they begin receiving monthly benefits from the defined benefit portion of their benefits.

Table #8

Summary of Plan 2/3 Annuitants	Plan 2			Plan 3
	LEOFF	PERS	TRS	TRS
Total Number	134	7,680	589	142
Average				
Current Age	61	69	67	60
Age at Retirement	58	65	64	59
Years of Service	12	11	13	15
Monthly Benefit	$ 885	$ 514	$ 812	$ 346
Monthly Benefit Per YOS	$ 75	$ 44	$ 63	$ 23

VII. TRS Plan 3 Gain-sharing Distributions:.

Plan 3 benefits include a gain-sharing mechanism very similar to the one administered for PERS/TRS 1 retired members. The primary differences are:

- Plan 3 gain-sharing is distributed in the form of a lump sum deposited into members' defined contribution accounts.
- Plan 3 extraordinary gains are not specifically designed as cost-of-living adjustments as they are in Plan 1. They do serve the same function of increasing the overall value of benefits.
- Retirees and actives receive the benefit of extraordinary gains at the same time.

The amount of each gain-sharing distribution is dependent on the rate of return (ROR) on defined benefit investments of plan 2/3. When the ROR for the previous two biennium averages over 10%, half of the amount over 10% is used to provide a lump sum payment to active and retired members.

The first TRS 3 gain-sharing payments were made in 1998. A second one occurred in 2000. In the future two new plans, SERS 3 and PERS 3 will also be part of the gain-sharing calculation. A gain share is calculated using all Plan 3 service earned to date. Individual members receive payments based on the gain share, multiplied by their years of service. Gain-sharing is calculated and distributed to members' defined contribution accounts in January of even-numbered years (once each biennium.)

Calculation of the 2000 Plan 3 Gain-sharing Distribution:

Rates of return were as follows for the 5 years between 1996 and 2000:

Rates of Return				
1996	**1997**	**1998**	**1999**	**4-Year Average**
17.4%	20.5%	16.6%	11.9%	= 16.56%

16.56% - 10% = 6.56%

Half of the combined Plan 3 assets are multiplied by 6.56%. This procedures the amount of extraordinary gains available for distribution to members in 2000.

50% of PERS 2 and TRS 2/3 assets =	$6,997 M
$6,997 M x 6.56% (gain-sharing percent) =	$459 M
Percentage of total Plan 2/3 service credit in Plan 3=	15.88%
$458 M x 15.88% =	$72.9 M (to be distributed)
$72.9 M ÷ 286,702 (Years of Plan 3 service) =	**$254.23** per YOS

Table #9

TRS 3 Gain-sharing
Historical Summary

Year	Eligible Members	Average Years of Service	Total Dollars Distributed *(In Millions)*	Gain-sharing	Average Dollars to Members
1998	27,243	7.8	$28.4	$134.43	$1,042
2000	35,529	8.1	$72.9	$254.23	$2,051
Total			**$101.3**		**$3,093**

Table #10

TRS 3 Gain-sharing
2000 Distribution

Eligible Members	Number	Total Years of Service	Dollars Distributed *(In Millions)*	Average Years of Service	Average Dollars to Member
Active	34,749	278,641	$71	8.0	$2,039
Retired	225	2,590	$1	11.5	$2,926
Term-Vested	555	5,471	$1	9.9	$2,507
Total	**35,529**	**286,702**	**$73**	**8.1**	**$2,051**
Ineligible Members					
Not Vested	2,257	3,474		1.5	
DC Account Balance Less Than $1,000	3,397	1,033		0.3	
Total	**5,654**	**4,508**		**0.8**	

A small segment (14%) of all Plan 3 members were ineligible for the 2000 gain-sharing distribution. These members did not have $1,000 in their account balance and were not vested or did not earn service credit during the year.

VII. Washington State Patrol:

WSP COLA Policy:

WSP is the only publicly funded system which differentiates between retiree and survivor benefits. Retirees receive a benefit based on their years of service. This base benefit is increased each year by a simple 2% non-compounding COLA.

Survivors receive a benefit which is half of the member's average final compensation. They are not eligible for COLAs until age-66, when they begin receiving the WSP Uniform COLA increase. The WSP Uniform COLA increase amount is similar to the PERS/TRS 1 Uniform COLA amount except that it does not include any include any increases based on gain-sharing.

Under original provisions, WSP benefits were not reduced to provide on-going benefits to the retiree's beneficiary. WSP is the only public plan with this feature that is currently accepting new members. In 1999, the Legislature acted to provide a second benefit payment option in the WSP system. Retirees after July 1, 2000 may elect to receive an actuarially reduced benefit in exchange for continuing their full benefit to their survivor. The new benefit payment option includes an annual 2% simple COLA for the survivor.

A. Annuitant Demographics:

The difference in benefit levels for retirees and survivors creates two separate annuitant groups.

Table #11

WSP Annuitant
Summary Statistics
(As of 12/99)

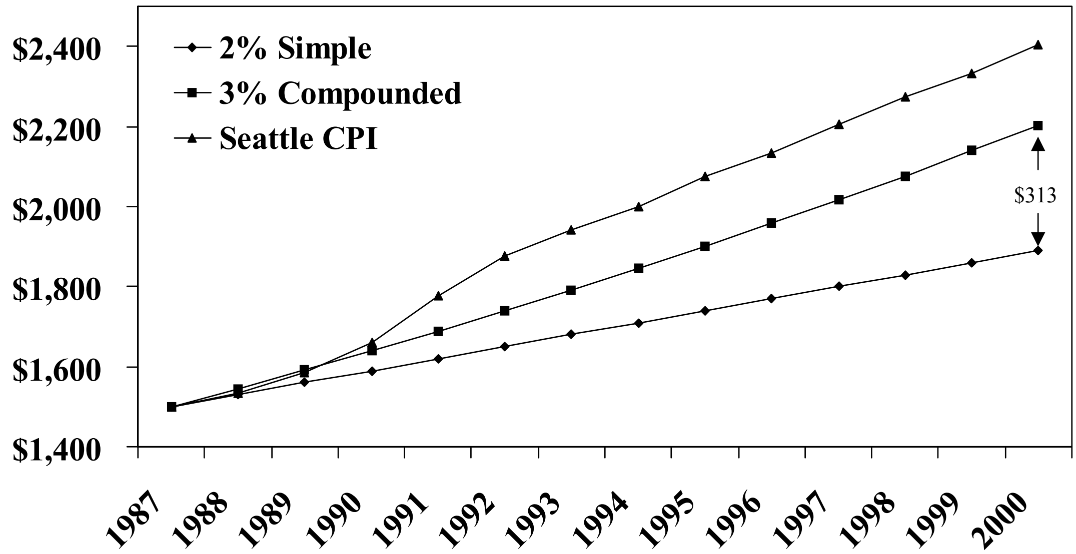
	Retirees	Survivors
Total Number	537	110
Percent of Annuitants	83%	17%
Average		
Age	61.2	71.8
Years of Service	28.8	11.7
Monthly Benefit	$2,694	$994

The following graph illustrates the increases produced under the current 2% simple COLA design and the 3% compounding design applied in all other Washington systems currently open to new members. The graph is based on a initial benefit of $1,500 per month.

The retirement allowance of those receiving a simple 2% annual cost-of-living adjustment would have increased from $1,500 to $1,890 between 1987 and 2000, a gain of 26%. The allowance of those receiving a compounding 3% COLA would have increased from $1,500 to $2,203. This is a gain of 46.9%. By 2000, the difference in monthly benefits produced by the two formulas would be $313 or 16.6%.

Graph #10

Growth of Retiree Benefits Chart



VIII. Committee Recommendations:

A. Plan 1 Uniform COLA Eligibility

Currently a retired member of PERS 1 is first eligible to receive the Uniform COLA when they have been retired for one year and have attained age-66 by July 1st. As a result, retirees who have been retired one year, but do not reach age-66 until after July 1, must wait until the next July 1st to begin receiving the Uniform COLA.

The JCPP recommends an adjustment in the age requirement for Uniform COLA eligibility. Retirees who have been retired for 1 year by July 1st will begin to receive the COLA on July 1st if they will reach age 66 anytime during the calendar year.

This proposal has no impact on those already receiving the Uniform COLA or on those born in January through June. Those born July through December will begin to receive the Uniform COLA a year earlier.

B. WSP Cost-of-living Adjustment Increase:

Washington State Patrol (WSP) retirees now receive a 2% non-compounding increase on benefits. Their survivors receive increases according to one of two mechanisms:

1. Survivors of retirees retired before July 1, 1999 receive Uniform COLA increases when they reach age-66 eligibility.
2. Members who retire after July 1, 1999 and choose the benefit payment option that continues the member's full benefit on to a survivor and includes a simple 2% non-compounding COLA. Retirees who select this option receive an actuarially reduced benefit.

The JCPP recommends the annual 2% simple COLA for WSP retirees and survivors be increased to a 3% compounding formula. (See fiscal note in Appendix B.)